

DEPARTMENT OF STATE REVENUE

Information Bulletin #84
Sales Tax
July 2020
(Replaces Bulletin #84 dated August 2014)
Effective Date: Upon Publication

SUBJECT: Sales Tax Collection on Sales of Motor Vehicles

REFERENCES: [IC 6-2.5-2-3](#)

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SUMMARY OF CHANGES

Apart from technical, nonsubstantive changes, the bulletin was changed to include additional examples and information pertaining to the reintroduction of a special sales tax rate on the sale of recreational vehicles and cargo trailers to customers from nonreciprocal states as part of HEA 1059 (2020).

I. INTRODUCTION

As a general matter, the sales tax rate imposed on all retail transactions in Indiana is 7%. However, the Indiana General Assembly enacted legislation (SEA 367 (2014)) specifically directed toward the sales of vehicles to individuals or entities that intend to title and register the vehicle for use in another state or country. Effective July 1, 2014, Indiana sales tax is imposed at a special rate on such sales, which is the state-level sales tax rate of the state in which the vehicle will be titled and/or registered.

NOTE: A similar special tax rate is available for nonresident purchasers of recreational vehicles and trailers that will register their vehicles in a nonreciprocal state, effective July 1, 2020; for more information, please consult Sales Tax Information Bulletin #72, available online at www.in.gov/dor/6051.htm).

II. DEFINITION

The term "motor vehicle" means a vehicle that would be subject to the annual license excise tax imposed under [IC 6-6-5](#) if the vehicle were to be used in Indiana. This includes cars, motorcycles, and trucks weighing 11,000 pounds or less. This does **not** include motor homes; trucks weighing greater than 11,000 pounds; or trailers.

III. DETERMINATION OF THE SPECIAL TAX RATE

Beginning on July 1, 2014, when the purchaser of a motor vehicle intends to both (a) transport that motor vehicle to a destination outside Indiana within 30 days after delivery, and (b) title and register that motor vehicle for use in another state or country, the rate at which Indiana sales tax is to be imposed and collected on the sale is the rate of the intended destination state or country.

The sales tax rates of the other states are inclusive of only state-level rates. Any locally imposed sales tax rates in the other states are not included in the rates Indiana dealers will be required to collect. Additionally, the statutory language of [IC 6-2.5-2-3](#) requires the application of the destination state's state-level sales tax rate only to the sale of a motor vehicle that is to be titled and registered for use in another state. Accordingly, the destination state's sales tax rate is the only aspect of that state's laws that will be incorporated by virtue of [IC 6-2.5-2-3](#). The statute does not require the incorporation of other aspects of a state's laws relating to transactions involving vehicles, such as other states' trade-in rules, caps on tax, and exemptions.

Example #1: Customer, who is a resident of State X, comes into Indiana to buy a motor vehicle from a dealership in Indiana. Customer intends to title and register the vehicle for use in State X. In connection with Customer's purchase of a motor vehicle from the Indiana dealership, Customer intends to trade in her old vehicle. With respect to motor vehicle sales, State X limits the value of a like kind exchange (for purposes of reducing the amount of gross retail income on which sales tax is imposed) to \$2,000, while Indiana imposes

no such limit. Therefore, when Customer trades in her old vehicle, the value of her like kind exchange will not be limited to \$2,000.

Example #2: Customer, who is a resident of State Y, comes into Indiana to buy a motor vehicle from a dealership in Indiana. Customer intends to title and register the vehicle for use in State Y. With respect to motor vehicle sales, State Y has a 5% sales and use tax on vehicles, capped at \$500. The motor vehicle is purchased for \$20,000. The Indiana sales tax is 5% of \$20,000, which would be \$1,000. Even though State Y has a \$500 cap, Indiana imposes no such limit, so the dealer must collect the full \$1,000 in Indiana sales tax.

Example #3: Customer, who is a resident of State Z, comes into Indiana to buy a motor vehicle from a dealership in Indiana. Customer intends to title and register the vehicle for use in State Z. With respect to motor vehicle sales, State Z has a 5% sales and use tax on vehicles, but State Z also has an exemption from sales tax for vehicles used in film production. The motor vehicle is purchased for \$30,000. The Indiana sales tax is 5% of \$30,000, which would be \$1,500. Even though the vehicle will be used in a film, Indiana has no such exemption, so the dealer must collect the full \$1,500 in Indiana sales tax.

An Indiana dealer will only be required to collect sales tax at the destination state's rate up to Indiana's rate of 7%. Regardless of whether the destination state's or country's rate is greater than 7%, the maximum sales tax rate to be imposed on the purchase of a vehicle from an Indiana dealer is 7%.

If the destination state does not impose a sales tax, either in general or on purchases of vehicles, then no sales tax is to be collected by the Indiana dealership.

Example #4: Customer, who is a resident of Montana, comes into Indiana to buy a motor vehicle from a dealership in Indiana. Customer intends to title and register the vehicle for use in Montana. Currently, Montana does not impose any sales tax. As such, the Indiana dealership would not have to charge Customer any sales tax on the purchase of the motor vehicle (though Customer and the dealership would still have to fill out the ST-108NR).

Example #5: Customer, who is a resident of Georgia, comes into Indiana to buy a motor vehicle from a dealership in Indiana. Customer intends to title and register the vehicle for use in Georgia. In Georgia, the state's sales tax is not imposed on purchases of vehicles, but the state does impose an *ad valorem* tax on such purchases. Because an *ad valorem* tax is not a sales tax, the Indiana dealership would not be required to collect sales tax at the Georgia *ad valorem* tax rate. Furthermore, because Georgia's sales tax is not imposed on purchases of motor vehicles, the Indiana dealership would not collect sales tax at any rate (though Customer and the dealership would still have to fill out the ST-108NR).

Lastly, these statutes and the administration thereof apply only to transactions that are sourced to Indiana pursuant to [IC 6-2.5-13](#) *et seq.* More to the point, these statutes apply only to intrastate transactions in which the customer actually receives the vehicle here in Indiana. Nothing about this statutory regime impacts transactions that are in interstate commerce. For further information related to sales made in interstate commerce, please refer to Sales Tax Information Bulletin #28S, available online at www.in.gov/dor/6051.htm.

IV. ADMINISTRATION

When an Indiana dealership sells a motor vehicle to a customer who intends to title and register the vehicle for use in a state other than Indiana, the dealership and customer must complete Form ST-108NR, available online on the department's website at www.in.gov/dor/3504.htm. The dealership must keep a copy of each completed ST-108NR on file to document the buyer's information and the amount of tax collected for each transaction.

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